FineTek Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FineTek Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of FineTek Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the consolidated financial statements of FineTek Co., Ltd. and its subsidiaries for the year ended December 31, 2017 are the following:

Occurrence of Sales Revenue from Major Customers

FineTek Co., Ltd. is listed on the Taipei Exchange Mainboard. It is in the growth stage and the management is faced with substantial pressure to achieve financial goals. In 2017, the consolidated operating revenue of the Group was $1,060,656 thousand, which represented an increase of 23% compared with the year 2016. The revenue from the top ten customers was approximately 23% of consolidated total revenue in 2017. Therefore, we deemed the occurrence of sales particularly to the top ten customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4.m to the consolidated financial statements.

We performed the following procedures to audit the sales revenue of the top ten customers:

1. We obtained an understanding of the design of major internal controls for sales revenue and we tested the effectiveness of their implementation.

2. We obtained a list of major customers for the year of 2017 and we assessed the reasonableness of the sales to them by comparing with past data and by checking the sales data against customer profile, background, transaction amount, credit line and size.

3. We selected samples of sales transactions and we checked the details against external shipping documents, customer receiving documents and sales invoices to verify that the transactions have occurred and were recorded in the correct year and completed under normal conditions and did not have unusual circumstances.

4. We also checked significant sales returns and allowances against the related sales to confirm the occurrence of the sales.

Other Matter

We have also audited the parent company only financial statements of FineTek Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors and independent directors, are responsible for overseeing the Group’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chung Chen Chen and Keng Hsi Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 474,012	30	$ 465,609	31
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	56	-	1,289	-
Debt investments with no active market - current (Notes 4 and 9)	55,555	4	9,323	1
Notes receivable from non-related parties (Notes 4 and 10)	46,330	3	42,472	3
Trade receivables from non-related parties (Notes 4 and 10)	156,905	10	142,637	10
Other receivables from non-related parties (Notes 4 and 10)	1,933	-	412	-
Current tax assets (Notes 4 and 24)	683	-	-	-
Inventories (Notes 4 and 11)	215,770	14	178,733	12
Other financial assets - current (Notes 4, 17 and 32)	4,951	-	117	-
Other current assets (Notes 16 and 17)	9,383	1	9,839	1
Total current assets	965,578	62	850,431	58
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 8)	11,907	1	12,904	1
Property, plant and equipment (Notes 4, 13 and 32)	472,705	30	495,588	34
Intangible assets (Notes 4 and 15)	48,610	3	53,852	4
Goodwill (Notes 4, 5 and 14)	39,078	3	37,271	2
Deferred tax assets (Notes 4 and 24)	13,719	1	13,920	1
Prepayments for equipment (Note 17)	774	-	1,022	-
Refundable deposits (Note 17)	1,295	-	1,577	-
Long-term prepayments for leases (Note 16)	6,134	-	6,465	-
Net defined benefit asset - non-current (Notes 4 and 21)	870	-	1,169	-
Total non-current assets	595,092	38	623,768	42
TOTAL	$ 1,560,670	100	$ 1,474,199	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 32)	$ 18,877	1	$ 23,695	1
Notes payable to non-related parties (Note 19)	6,777	1	9,091	1
Trade payables to non-related parties (Note 19)	63,620	4	54,196	4
Other payables to non-related parties (Notes 20 and 27)	74,353	5	71,318	5
Current tax liabilities (Notes 4 and 24)	20,442	1	15,193	1
Current portion of long-term borrowings (Notes 18 and 32)	1,963	-	1,871	-
Other current liabilities (Note 20)	11,657	1	12,567	1
Total current liabilities	197,689	13	187,931	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 32)	1,210	-	2,819	-
Deferred tax liabilities (Notes 4 and 24)	44,368	3	39,496	3
Guarantee deposits (Note 20)	793	-	1,004	-
Total non-current liabilities	46,371	3	43,319	3
Total liabilities	244,060	16	231,250	16
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
Share capital				
Ordinary shares	403,892	26	384,659	26
Capital surplus	319,889	20	319,889	22
Retained earnings				
Legal reserve	161,024	11	144,280	10
Special reserve	19,659	1	12,354	1
Unappropriated earnings (Note 24)	438,017	28	401,426	27
Other equity				
Exchange differences on translating foreign operations	(25,871)	(2)	(19,659)	(2)
Total equity attributable to owners of the Company	1,316,610	84	1,242,949	84
TOTAL	$ 1,560,670	100	$ 1,474,199	100

The accompanying notes are an integral part of the consolidated financial statements.

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 4)	$ 1,060,656	100	$ 865,748	100
OPERATING COSTS (Notes 11 and 23)	469,369	44	370,669	43
GROSS PROFIT	591,287	56	495,079	57
OPERATING EXPENSES (Notes 23 and 31)				
Selling and marketing expenses	211,479	20	160,627	18
General and administrative expenses	80,198	8	70,312	8
Research and development expenses	66,105	6	75,992	9
Total operating expenses	357,782	34	306,931	35
PROFIT FROM OPERATIONS	233,505	22	188,148	22
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Other income	21,048	2	26,196	3
Other gains and losses	(12,048)	(1)	(29,374)	(4)
Finance costs	(460)	-	(387)	-
Total non-operating income and expenses	8,540	1	(3,565)	(1)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	242,045	23	184,583	21
INCOME TAX EXPENSE (Notes 4 and 24)	(46,525)	(4)	(17,146)	(2)
NET PROFIT FOR THE YEAR	195,520	19	167,437	19
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 21)	(300)	-	(497)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	51	-	84	-
	(249)	-	(413)	-

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FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 22)	$ (7,485)	(1)	$ (36,598)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 22 and 24)	1,273	-	6,222	1
	(6,212)	(1)	(30,376)	(3)
Other comprehensive loss for the year, net of income tax	(6,461)	(1)	(30,789)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 189,059	18	$ 136,648	16
EARNINGS PER SHARE (Note 25)				
Basic	$ 4.84		$ 4.15	
Diluted	$ 4.83		$ 4.13	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity	
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2016	$ 377,117	$ 319,889	$ 131,084	$ 12,354	$ 360,733	$ 10,717	$ 1,211,894
Appropriation of 2015 earnings (Note 22)							
Legal reserve	-	-	13,196	-	(13,196)	-	-
Cash dividends distributed by the Company	-	-	-	-	(105,593)	-	(105,593)
Share dividends distributed by the Company	7,542	-	-	-	(7,542)	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	167,437	-	167,437
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	(413)	(30,376)	(30,789)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	167,024	(30,376)	136,648
BALANCE AT DECEMBER 31, 2016	384,659	319,889	144,280	12,354	401,426	(19,659)	1,242,949
Appropriation of 2016 earnings (Note 22)							
Legal reserve	-	-	16,744	-	(16,744)	-	-
Special reserve	-	-	-	7,305	(7,305)	-	-
Cash dividends distributed by the Company	-	-	-	-	(115,398)	-	(115,398)
Share dividends distributed by the Company	19,233	-	-	-	(19,233)	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	195,520	-	195,520
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(249)	(6,212)	(6,461)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	195,271	(6,212)	189,059
BALANCE AT DECEMBER 31, 2017	$ 403,892	$ 319,889	$ 161,024	$ 19,659	$ 438,017	$ (25,871)	$ 1,316,610

The accompanying notes are an integral part of the consolidated financial statements.

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 242,045	$ 184,583
Adjustments for:		
(Reversed) impairment loss recognized on trade receivables	(4,681)	3,367
Depreciation expenses	34,740	31,010
Amortization expenses	13,656	6,270
Amortization of prepayments for leases	180	194
Prepayments for equipment transferred to expenses	47	250
Finance costs	460	387
Interest income	(6,797)	(18,214)
Dividend income	(45)	(26)
Write-downs of inventories	867	1,827
Loss on disposal of property, plant and equipment	608	134
Loss on disposal of intangible assets	-	824
Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss	3	(351)
Unrealized loss on foreign currency exchange	4,758	13,015
Changes in operating assets and liabilities		
Notes receivable	(3,858)	(7,661)
Trade receivables	(11,388)	(24,157)
Other receivables	(71)	482
Inventories	(37,904)	(4,507)
Other current assets	431	(839)
Other non-current assets	1,846	(22)
Notes payable	(2,314)	2,158
Trade payables	9,424	18,124
Other payables	5,649	(9,302)
Other current liabilities	(910)	587
Cash generated from operations	246,746	198,133
Interest received	6,577	19,162
Interest paid	(460)	(387)
Dividends received	45	26
Income tax paid	(35,562)	(28,679)
Net cash generated from operating activities	217,346	188,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(46,232)	-
Proceeds from sale of debt investments with no active market	-	21,007
Acquisition of subsidiaries	(3,435)	(86,512)
Purchase of other financial assets	(4,834)	-
Proceeds in other financial assets	-	285
Payments for property, plant and equipment	(13,706)	(75,518)
Payments for intangible assets	(6,611)	(3,409)
Proceeds from disposal of property, plant and equipment	1,428	83

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FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Decrease in refundable deposits	$ 282	$ 1,759
Increase in prepayments for equipment	(774)	-
Net cash used in investing activities	(73,882)	(142,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,000	-
Repayments of short-term borrowings	(20,000)	(76)
Repayments of long-term borrowings	(1,517)	(372)
Dividends paid	(115,398)	(105,593)
Refund of guarantee deposits received	(211)	(85)
Net cash used in financing activities	(122,126)	(106,126)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(12,935)	(38,480)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,403	(98,656)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	465,609	564,265
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 474,012	$ 465,609

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

1. GENERAL INFORMATION

FineTek Co., Ltd. (the "Company") was incorporated in the Republic of China ("ROC") on January 30, 2003. The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals.

The Company's shares have been listed on the Taipei Exchange ("TPEx") Mainboard since November 2014.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 23, 2018.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") (collectively, the "IFRSs") endorsed by the Financial Supervisory Commission ("FSC")

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   1) Annual Improvements to IFRSs 2010-2012 Cycle

      The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017 (refer to Note 34).

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 31 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
i 9 "Financial Instruments"	January 1, 2018
Amendments to i 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

Debt investments classified as held-to-maturity financial assets／debt investment with no active market will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments, the Group will assess whether there has been a significant increase in credit risk to determine to recognize full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on financial assets and liabilities of retrospective application of IFRS 9 as of January 1, 2018 is set out below:

	Measurement Category		**Carrying Amount**		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Note**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 474,012	$ 474,012	(a)
Domestic quoted shares	Financial assets at fair value through profit or loss - current	Financial assets at fair value through profit or loss	56	56	-
Debt investments with no active market - current	Loans and receivables	Amortized cost	55,555	55,555	(a)
Investment in bonds	Held-to-maturity financial assets	Amortized cost	11,907	11,907	(b)
Notes, Trade, other receivables (including related parties), refundable deposit, and other financial assets - current	Loans and receivables	Amortized cost	211,414	211,414	(a)

a) Cash and cash equivalents, debt investments with no active market - current, notes, trade, other receivables (including related parties), refundable deposits, and other financial assets - current classified as loans and receivables under IAS 39 are now classified as financial assets at amortized cost under IFRS 9.

b) Investments in bonds classified as held-to-maturity financial assets under IAS 39 are now classified as financial assets at amortized cost under IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it or renders service separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

The Group will apply the amendments to IFRS 15 retrospectively; no material impact on the financial statements is expected.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for oversight purposes.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and net defined benefit assets which are measured at present value of the defined benefit obligation less the fair value of plan assets that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 on the basis of the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12 for more information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss in the period.

For the purpose of presenting consolidated financial statements, the functional currency of the Group and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Group) are translated into the presentation currency, the New Taiwan dollar, as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories, which consist of raw materials, finished goods, work-in-process, and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation is recognized using the straight-line method. Each property, plant and equipment component with a cost that is significant in relation to the total cost of the item must be depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating units to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generated units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generated units and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generated units retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on prospectively basis. Intangible assets with indefinite useful lives are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generated units to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generated units is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generated units is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating units is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating units in prior years. The reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when a financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

ii. Held-to-maturity investments

Foreign corporate bonds, which are above specific credit rating for which Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Loans and receivables

Loans and receivables (including receivables, cash and cash equivalent, debt investment with no active market and other financial assets) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that have original maturities within three months from the date of acquisition and that are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as receivables are assessed for impairment collectively even if they had been assessed as not impaired individually. Objective evidence of impairment for an increase in portfolio of receivables overdue monthly payment term, 0-150 days could include the Group’s past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between an asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date that the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include the significant financial difficulty of the issuer or counterparty; a breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will undergo bankruptcy or financial re-organization; or the disappearance of an active market for the financial asset because of financial difficulties.

The carrying amount of a financial asset is reduced by its impairment loss directly for all financial assets, except trade receivables, for which the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectable trade receivables, which are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The transaction costs incurred or to be incurred can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve the transfer of risks and rewards of the materials' ownership.

2) Rendering of services

Service income is recognized when services are provided.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

n. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized on short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to a defined contribution retirement benefit plan are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service costs, including current service costs, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Based on the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any previously unrecognized deferred tax assets are also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which the liabilities are settled or the assets are realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of Goodwill

Determining whether goodwill is impaired requires, the Group's management evaluated the impairment based on the future cash flows, including managing the estimation of sales growth rate and profit rate. Using WACC, which contains the risk free rate, management uses the volatility and risk premium assumptions to decide the discount rate and perform the impairment assessment. If the cash flows (the recoverable amount) are less than management's expectation, it may cause a significant impairment loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 1,299	$ 1,007
Checking accounts	833	2,402
Demand deposits	192,250	228,083
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	279,630	234,117
	$ 474,012	$ 465,609

The market rates for cash in the bank at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Bank balance	0.01%-1.90%	0.01%-6.15%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Financial assets - current		
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	$ 56	$ 1,289

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	**2016**
Non-current		
Foreign investments		
Deutsche Bank	$ 5,963	$ 6,463
Société Générale	5,944	6,441
	$ 11,907	$ 12,904

a. The Group’s investments in bonds issued by Deutsche Bank were as follows:

	December 31	
	2017	**2016**
Total book value	$ 5,963	$ 6,463
Total par value (in thousand U.S. dollars)	$ 200	$ 200
Coupon rates	4.50%	4.50%
Effective interest rates	4.47%	4.47%
Holding period	2015.10.21-2025.04.01	2015.10.21-2025.04.01

b. The Group’s investments in bonds issued by Société Générale were as follows:

	December 31	
	2017	**2016**
Total book value	$ 5,944	$ 6,441
Total par value (in thousand U.S. dollars)	$ 200	$ 200
Coupon rates	4.25%	4.25%
Effective interest rates	4.27%	4.27%
Holding period	2015.10.21-2025.04.14	2015.10.21-2025.04.14

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Current		
Time deposits with original maturities of more than 3 months	$ 55,555	$ 9,323

As of December 31, 2017 and 2016, the market interest rates of the time deposits with original maturities of more than 3 months were 0.65%-1.55% and 1.55%-1.65% per annum, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable		
Notes receivable - operating	$ 46,330	$ 42,472
Trade receivables		
Trade receivables	$ 165,563	$ 155,478
Less: Allowance for impairment loss	(8,658)	(12,841)
	$ 156,905	$ 142,637
Other receivables		
Interest receivables	$ 472	$ 252
Receivable from disposal of investments	1,230	-
Others	231	160
	$ 1,933	$ 412
Overdue receivables		
Overdue receivables	$ 2,329	$ 4,176
Less: Allowance for impairment loss	(2,329)	(4,176)
	$ -	$ -

a. Notes receivable

The Group's client base was vast and unrelated to one another, so the concentration of credit risk was limited. As of December 31, 2017 and 2016, the Group did not hold any collateral for the balance of its notes receivable.

b. Trade receivables

The average credit period of sales of goods was 0 to 150 days. In determining the collectability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all trade receivables over 360 days because historical experience shows that receivables outstanding beyond 360 days are not recoverable. For receivables outstanding between 1 to 360 days, the Group estimated the irrecoverable amount based on the past defaults of a counterparty and an analysis of the current financial position of the counterparty. As of December 31, 2017 and 2016, the aging of receivables that were past due but not impaired were both $0 thousand.

The aging of receivables (including overdue receivables) was as follows:

	December 31	
	2017	**2016**
Not overdue	$ 125,152	$ 108,698
Overdue 1-30 days	20,851	23,340
Overdue 31-60 days	7,460	5,825
Overdue beyond 60 days	14,429	21,791
	$ 167,892	$ 159,654

The above aging schedule was based on the number of days past due from the credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ 1,729	$ 12,543	$ 14,272
Add: Impairment losses recognized on receivables	2,620	747	3,367
Add: Acquisitions through business combinations	-	97	97
Less: Amounts written off during the year as uncollectable	-	(30)	(30)
Foreign exchange translation gains and losses	(173)	(516)	(689)
Balance at December 31, 2016	4,176	12,841	17,017
Less: Impairment losses reversed	(1,758)	(2,923)	(4,681)
Less: Amounts written off during the year as uncollectable	-	(1,130)	(1,130)
Foreign exchange translation gains and losses	(89)	(130)	(219)
Balance at December 31, 2017	$ 2,329	$ 8,658	$ 10,987

The Group recognized an impairment loss on trade receivables amounting to $2,329 thousand and $4,176 thousand as of December 31, 2017 and 2016, respectively. These amounts mainly related to customers that were in the process of liquidation (or having severe financial difficulties). The Group did not hold any collateral over these balances.

c. Other receivables

Other receivables consist of interest receivable and receivable from disposal of investments and so on. Based on historical experience, past transactions with counterparties, and reviews of the financial situations of counterparties, the Group determined that there would be no overdue payments. Thus, there is no bad debt existing.

11. INVENTORIES

	December 31	
	2017	2016
Merchandise inventory	$ 8,333	$ 2,463
Finished goods	103,896	82,062
Work-in-progress	19,994	18,090
Raw materials	83,547	76,118
	$ 215,770	$ 178,733

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $469,369 thousand and $370,669 thousand, respectively. The cost of goods sold included inventory write-downs of $867 thousand and $1,827 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

			Proportion of Ownership (%) December 31		
Investor	**Investee**	**Nature of Activities**	**2017**	**2016**	**Remark**
FineTek Co., Ltd.	Powerline Corp. (SAMOA)	Investment	100%	100%	Note 1
	Golden Land International Corp. (SAMOA)	Investment	100%	100%	Note 1
	Gain Access Investment Ltd.	Investment	100%	100%	Notes 1 and 2
Golden Land International Corp. (SAMOA)	Aplus Finetek Sensor Inc.	Manufactures and sells transmitters, point switches and electronic terminals	100%	100%	Note 1
Gain Access Investments Ltd.	Faco International Co., Ltd.	Investment	-	67%	Notes 1, 2 and 3
	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	90%	-	Notes 1 and 3
Powerline Corp. (SAMOA)	Faco International Co., Ltd.	Investment	100%	33%	Notes 1, 2 and 3
Faco International Co., Ltd.	Fine Automation Co., Ltd.	Designs, manufactures and sells transmitters, point switches and electronic terminals	100%	100%	Note 4
	Finetek Pte., Ltd.	Sells operating transmitters, point switches and electronic terminals	100%	100%	Note 1
	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	10%	100%	Notes 1 and 3
Finetek GmbH	Mutec Instruments GmbH	Sells operating transmitters, point switches and electronic terminals	100%	100%	Notes 1 and 2

Note 1: The main operating risk is foreign currency risk.

Note 2: The Company's board of directors decided to invest in and acquire Gain Access Investments Ltd. for US$3,750 thousand (NT$125,000 thousand) and a shareholding percentage of 100%. Through Gain Access Investment Ltd., the Group invested the amount of US$3,750 thousand (NT$125,000 thousand) in Faco International Co., Ltd. From the funding provided to Faco International Co., Ltd., the Group invested in Finetek GmbH in the amount of US$3,443 thousand (NT$108,990 thousand). By way of its investment in Finetek GmbH, the Group acquired 100% shareholding of Mutec Instruments GmbH worth EUR3,256 thousand (NT$112,425 thousand).

Note 3: Gain Access Investments Ltd. acquired 67% equity interest in Faco International Co., Ltd. for $125,000 thousand as of October 31, 2016. As a result, the shareholding of Powerline Corp. (Samoa) in Faco International Co., Ltd. decreased to 33%. The Group decided to simplify its investment structure by adopting a resolution on February 28, 2017 regarding its subsidiary, Powerline Corp. (Samoa). In the resolution, Faco International Co., Ltd. would reduce its capital and return all shares which were held by Gain Access Investments Ltd. This transaction included 90% equity investment of Faco International Co., Ltd. in Finetek GmbH. After this capital reduction, the holdings of Gain Access Investments Ltd. and Powerline Corp. (Samoa) in Faco International Co., Ltd. changed to 0% and 100%, respectively, and the shareholdings of Gain Access Investments Ltd. and Faco International Co., Ltd. in Finetek GmbH changed to 90% and 10%, respectively. The registration procedures and structural simplification are still in process.

Note 4: The main operating risks are government policies, political issues between China and Taiwan, and currency risk.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Other Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2016	$ 79,181	$ 334,255	$ 46,267	$ 18,357	$ 19,154	$ 12,055	$ 36,964	$ 39,080	$ 585,313
Additions	62,858	1,343	3,000	-	2,475	3,400	1,276	1,325	75,677
Acquisitions through business combinations (Note 3)	9,668	30,518	-	3,250	978	-	-	-	44,414
Disposals	-	-	(14)	(596)	(392)	-	(1,762)	-	(2,764)
Reclassified (Note 1)	-	38,825	3,645	-	-	906	839	(39,665)	4,550
Effects of foreign currency exchange differences	(195)	(14,075)	(763)	(533)	(756)	-	(391)	(19)	(16,732)
Balance at December 31, 2016	$ 151,512	$ 390,866	$ 52,135	$ 20,478	$ 21,459	$ 16,361	$ 36,926	$ 721	$ 690,458
Accumulated depreciation									
Balance at January 1, 2016	$ -	$ 81,451	$ 18,915	$ 12,876	$ 14,680	$ 8,548	$ 25,217	$ -	$ 161,687
Disposals	-	-	(14)	(583)	(392)	-	(1,558)	-	(2,547)
Depreciation expenses	-	14,305	6,121	1,921	2,341	2,570	3,752	-	31,010
Acquisitions through business combinations (Note 3)	-	10,084	-	361	800	-	-	-	11,245
Effects of foreign currency exchange differences	-	(4,565)	(601)	(410)	(642)	-	(307)	-	(6,525)
Balance at December 31, 2016	$ -	$ 101,275	$ 24,421	$ 14,165	$ 16,787	$ 11,118	$ 27,104	$ -	$ 194,870
Carrying amounts at December 31, 2016	$ 151,512	$ 289,591	$ 27,714	$ 6,313	$ 4,672	$ 5,243	$ 9,822	$ 721	$ 495,588
Cost									
Balance at January 1, 2017	$ 151,512	$ 390,866	$ 52,135	$ 20,478	$ 21,459	$ 16,361	$ 36,926	$ 721	$ 690,458
Additions	-	267	7,114	1,098	1,631	2,235	1,902	280	14,527
Disposals	-	(964)	(16)	(441)	(5,383)	(1,847)	(2,109)	-	(10,760)
Reclassified (Note 2)	-	986	535	-	-	-	-	(986)	535
Effects of foreign currency exchange differences	466	(2,570)	(165)	(40)	(166)	-	(114)	(15)	(2,604)
Balance at December 31, 2017	$ 151,978	$ 388,585	$ 59,603	$ 21,095	$ 17,541	$ 16,749	$ 36,605	$ -	$ 692,156
Accumulated Depreciation									
Balance at January 1, 2017	$ -	$ 101,275	$ 24,421	$ 14,165	$ 16,787	$ 11,118	$ 27,104	$ -	$ 194,870
Disposals	-	(184)	(16)	(436)	(5,383)	(596)	(2,109)	-	(8,724)
Depreciation expenses	-	14,681	7,715	1,984	2,891	3,708	3,761	-	34,740
Effects of foreign currency exchange differences	-	(927)	(162)	(142)	(122)	-	(82)	-	(1,435)
Balance at December 31, 2017	$ -	$ 114,845	$ 31,958	$ 15,571	$ 14,173	$ 14,230	$ 28,674	$ -	$ 219,451
Carrying amounts at December 31, 2017	$ 151,978	$ 273,740	$ 27,645	$ 5,524	$ 3,368	$ 2,519	$ 7,931	$ -	$ 472,705

Note 1: Transferred from prepayments for equipment.

Note 2: Transferred from prepayment of equipment and prepayment were $510 and $25 thousand, respectively.

Note 3: The Group acquired Mutec Instruments GmbH and held 100% controlling interest as of October 31, 2016, and resulted in effect of new consolidated entities.

For the years ended December 31, 2017 and 2016, no impairment assessment was performed as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Buildings	
Main buildings	33-35 years
Accessory equipment	5-20 years
Machinery and equipment	2-10 years
Transportation	3-6 years
Office equipment	2-5 years
Molding equipment	2-4 years
Other equipment	2-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

14. GOODWILL

	For the Year Ended December 31	
	2017	**2016**
Cost		
Balance at January 1	$ 37,271	$ 1,549
Additional amounts recognized from business combinations occurring during the year (Note 26)	-	36,416
Effect of foreign currency exchange differences	1,807	(694)
Balance at December 31	$ 39,078	$ 37,271

The Group’s board of directors meeting was on October 31, 2016. It has resolved Finetek GmbH would take over Mutec Instruments GmbH and recognized goodwill in the amount of EUR1,059 thousand (on December 31, 2017, 2016 and acquisition date exchanged to NTD$37,674, $35,905, and $36,416 thousand).

On the December 31, 2016, there was no impairment of goodwill testing.

15. OTHER INTANGIBLE ASSETS

	Computer Software	Licenses and Franchises	Specialized Technology	Total
Cost				
Balance at January 1, 2016	$ 43,693	$ 750	$ -	$ 44,443
Additions	3,409	-	-	3,409
Acquisitions through business combinations	1,127	-	30,310	31,437
Disposals	(4,155)	-	-	(4,155)
Effects of foreign currency exchange differences	(22)	-	(614)	(636)
Balance at December 31, 2016	$ 44,052	$ 750	$ 29,696	$ 74,498
Accumulated amortization and Impairment				
Balance at January 1, 2016	$ 16,740	$ 34	$ -	$ 16,774
Amortization expenses	5,749	26	495	6,270
Acquisitions through business combinations	953	-	-	953
Disposals	(3,331)	-	-	(3,331)
Effects of foreign currency exchange differences	(20)	-	-	(20)
Balance at December 31, 2016	$ 20,091	$ 60	$ 495	$ 20,646
Carrying amounts at December 31, 2016	$ 23,961	$ 690	$ 29,201	$ 53,852
Cost				
Balance at January 1, 2017	$ 44,052	$ 750	$ 29,696	$ 74,498
Additions	6,611	-	-	6,611
Disposals	(16,956)	-	-	(16,956)
Reclassified (Note)	456	-	-	465
Effects of foreign currency exchange differences	57	-	1,463	1,520
Balance at December 31, 2017	$ 34,229	$ 750	$ 31,159	$ 66,138
Accumulated amortization and Impairment				
Balance at January 1, 2017	$ 20,091	$ 60	$ 495	$ 20,646
Amortization expenses	10,622	26	3,008	13,656
Disposals	(16,956)	-	-	(16,956)
Effects of foreign currency exchange differences	51	-	131	182
Balance at December 31, 2017	$ 13,808	$ 86	$ 3,634	$ 17,528
Carrying amounts at December 31, 2017	$ 20,421	$ 664	$ 27,525	$ 48,610

Note: Transferred from prepayment for equipment.

Specialized Technology

The Group acquired industrial measurement process technology from subsidiary at fair value, and the settlement date was October 31, 2016.

Other intangible assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Licenses and franchises	29 years
Specialized Technology	10 years

16. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Current assets (included in other current assets)	$ 182	$ 186
Non-current assets	6,134	6,465
	$ 6,316	$ 6,651

Prepayments for leases comprises land use rights in mainland China.

17. OTHER ASSETS

	December 31	
	2017	2016
Current		
Prepayments	$ 7,370	$ 8,354
Prepayments for leases	182	186
Others	1,831	1,299
	$ 9,383	$ 9,839
Other financial assets - current (Note 32)	$ 4,951	$ 117
Non-current		
Prepayments for equipment	$ 774	$ 1,022
Refundable deposits	$ 1,295	$ 1,577

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Line of credit borrowings (Note)	$ 18,877	$ 23,695

Note: The interest rate on line of credit borrowings was 1.250%-1.310% and 1.278%-1.320% per annum as of December 31, 2017 and 2016, respectively.

b. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings (Note 32)		
Bank loans (Note)	$ 3,173	$ 4,690
Less: Current portions	(1,963)	(1,871)
Long-term borrowings	$ 1,210	$ 2,819

Note: The Group used land and buildings as collateral to acquire a loan from the bank (Note 32). The loan will mature on September 30, 2019 and the interest rate is 5.21% over a 17-year period of time.

19. NOTE PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Operating	$ 6,777	$ 9,091
Trade payables		
Operating	$ 63,620	$ 54,196

20. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Payable for salaries and bonuses	$ 32,361	$ 30,162
Payable for employee compensation	9,165	8,097
Payable for remuneration of directors and supervisors	4,240	4,240
Payable for labor and health insurance	3,661	3,296
Payable for sales tax	4,287	4,033
Payable for acquisition of subsidiaries	-	3,435
Payable for purchase of equipment	1,138	317
Payable for annual leaves	326	115
Others	19,175	17,623
	$ 74,353	$ 71,318
Other liabilities		
Advance sales receipts	$ 11,222	$ 12,247
Others	435	320
	$ 11,657	$ 12,567
Non-current		
Refundable deposits	$ 793	$ 1,004

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 4,490	$ 4,271
Fair value of plan assets	(5,360)	(5,440)
Net defined benefit assets	$ (870)	$ (1,169)

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 3,757	$ (5,401)	$ (1,644)
Service costs			
Current service costs	5	-	5
Net interest expense (income)	60	(87)	(27)
Recognized in profit or loss	65	(87)	(22)
Remeasurement			
Return on plan assets	-	48	48
Actuarial loss - changes in demographic assumptions	59	-	59
Actuarial loss - experience adjustments	390	-	390
Recognized in other comprehensive income	449	48	497
Balance at December 31, 2016	4,271	(5,440)	(1,169)
Service costs			
Current service costs	16	-	16
Net interest expense (income)	64	(81)	(17)
Recognized in profit or loss	80	(81)	(1)
Remeasurement			
Return on plan assets	-	29	29
Actuarial loss - changes in demographic assumptions	152	-	152
Actuarial loss - experience adjustments	119	-	119
Recognized in other comprehensive income	271	29	300
Benefits paid	(132)	132	-
Balance at December 31, 2017	$ 4,490	$ (5,360)	$ (870)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	For the Year Ended December 31	
	2017	**2016**
Operating costs	$ -	$ -
General and administrative expenses	(1)	(22)
	$ (1)	$ (22)

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in both domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rates	1.35%	1.50%
Expected rates of salary increase	2.75%	2.75%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (152)	$ (144)
0.25% decrease	$ 159	$ 150
Expected rate(s) of salary increase		
1% increase	$ 663	$ 628
1% decrease	$ (569)	$ (541)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ -	$ -
The average duration of the defined benefit obligation	15 years	14 years

22. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	42,000	42,000
Shares authorized	$ 420,000	$ 420,000
Number of shares issued and fully paid (in thousands)	40,389	38,466
Shares issued	$ 403,892	$ 384,659

In the shareholders' meeting on June 20, 2016, the Company's shareholders approved the transfer of retained earnings of $7,542 thousand to issue new shares with a par value of NT$10, and paid-in capital $384,659 thousand. The above transaction was approved by the FSC on July 21, 2016, and the subscription base date was determined on August 30, 2016 by the Company's board of directors.

In the shareholders' meeting on June 2, 2017, the Company's shareholders approved the transfer of retained earnings of $19,233 thousand to issue new shares with a par value of NT$10 and paid-in capital $403,892 thousand. The above transaction was approved by the FSC on July 18, 2017, and the subscription base date was determined on September 4, 2017 by the Company's board of directors.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuance of ordinary shares	$ 316,818	$ 316,818
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34	34
May be used to offset a deficit only		
Arising from invalid employee shares options	3,037	3,037
	$ 319,889	$ 319,889

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

1) In accordance with the amendments to the Group Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 20, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

   Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Employee benefits expense in Note 23,f.

   In accordance with the amendments to the Company Act, the distribution of dividends may be made by way of cash dividends or share dividends, where the ratio of the cash dividends shall not be less than 10% of the total shareholders' dividends.

2) Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" shall be appropriated to or reversed from a special reserve by the Company.

3) A legal reserve should be 10% appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

4) Except for non-ROC resident shareholders, all shareholders are allowed tax credits equal to their proportionate share of the income tax paid by the Company.

5) The appropriations from the 2016 and 2015 earnings, which was approved in the annual shareholders' meetings on June 2, 2017 and June 20, 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 16,744	$ 13,196	$ -	$ -
Special reserve	7,305	-	-	-
Cash dividends	115,398	105,593	3.0	2.8
Share dividends	19,233	7,542	0.5	0.2

   The appropriation of the 2017 earnings, which included dividends per share, were proposed by the Company's board of directors on March 23, 2018 as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 19,552	$ -
Special reserve	6,212	-
Cash dividends	161,557	4.0

The appropriation of the 2017 earnings is subject to approval in the shareholders' meeting to be held in June 2018.

d. Special reserves

Under the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Group should make appropriations to or reversals from a special reserve.

	2017	2016
Balance at January 1 (Note)	$ 12,354	$ 12,354
Appropriation in respect of:		
Reversal of the debit to other equity items	7,305	-
Balance at December 31	$ 19,659	$ 12,354

Note: Optional exemptions on first-time adoption of IFRSs, adjusted in retained earnings.

e. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (19,659)	$ 10,717
Exchange differences on translating foreign operations	(7,485)	(36,598)
Income tax related to exchange differences arising on translating to the presentation currency	1,273	6,222
Balance at December 31	$ (25,871)	$ (19,659)

f. Fine Automation Co., Ltd. which is subsidiary of Faco International Co., Ltd., retained earnings after paying tax. Fine Automation Co., Ltd. should make up for its loss from the previous year and extract 10% of the reserve fund from tax net of profit. The reserve fund's accumulated amount should amount to 50% of its registered capital. The share distribution issued would be decided by board of directors' members.

23. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 6,797	$ 18,214
Dividends	45	26
Government grants income	11,492	4,172
Others	2,714	3,784
	$ 21,048	$ 26,196

b. Other gains and losses

	For the Year Ended December 31	
	2017	**2016**
Loss on disposal of property, plant and equipment	$ (608)	$ (134)
Loss on disposal of intangible assets	-	(824)
Net foreign exchange losses	(14,074)	(31,188)
Net (loss) gain arising on financial assets designated as at FVTPL	(3)	351
Receipts of payments under custody	3,153	2,804
Others	(516)	(383)
	$ (12,048)	$ (29,374)

c. Finance costs

	For the Year Ended December 31	
	2017	**2016**
Interest on loans	$ (460)	$ (387)

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 34,740	$ 31,010
Intangible assets	13,656	6,270
	$ 48,396	$ 37,280
An analysis of depreciation by function		
Operating costs	$ 21,217	$ 18,881
Operating expenses	13,523	12,129
	$ 34,740	$ 31,010
An analysis of amortization by function		
Operating costs	$ 1,463	$ 667
Selling and marketing expenses	4,740	1,777
General and administrative expenses	5,797	2,196
Research and development expenses	1,656	1,630
	$ 13,656	$ 6,270

e. Employee benefits expense

	For the Year Ended December 31	
	2017	**2016**
Short-term benefits	$ 253,404	$ 201,903
Post-employment benefits (Note 21)		
Defined contribution plans	14,700	14,843
Defined benefit plans	(1)	(22)
Other employee benefits	41,401	34,993
Total employee benefits expense	$ 309,504	$ 251,717
An analysis of employee benefits expense by function		
Operating costs	$ 107,360	$ 88,473
Operating expenses	202,144	163,244
	$ 309,504	$ 251,717

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been adopted by the Group's board of directors on March 23, 2018 and March 13, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	3.71%	4.13%
Remuneration of directors and supervisors	1.72%	2.16%

Amount

	For the Year Ended December 31			
	2017		**2016**	
	Cash Dividends	**Share Dividends**	**Cash Dividends**	**Share Dividends**
Employees' compensation	$ 9,165	$ -	$ 8,097	$ -
Remuneration of directors and supervisors	4,240	-	4,240	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2017	**2016**
Foreign exchange gains	$ 12,925	$ 12,636
Foreign exchange losses	(26,999)	(43,824)
Net foreign exchange losses	$ (14,074)	$ (31,188)

24. INCOME TAXES RELATING TO OPERATIONS

a. Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of current year	$ 41,889	$ 29,251
Income tax on unappropriated earnings	834	542
Adjustments for prior years	(2,542)	(1,150)
	40,181	28,643
Deferred tax		
In respect of current year	6,344	(11,497)
Income tax expense recognized in profit or loss	$ 46,525	$ 17,146

A reconciliation of the accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2017	**2016**
Profit before tax from continuing operations	$ 242,045	$ 184,583
Income tax expense calculated at the statutory rate	$ 50,235	$ 33,393
Nondeductible expenses or losses	274	727
Tax-exempt income	25	-
Income tax on unappropriated earnings	834	542
Unrecognized deductible temporary differences	(2,301)	(16,366)
Adjustments for prior years' tax	(2,542)	(1,150)
Income tax expense recognized in profit or loss	$ 46,525	$ 17,146

The applicable tax rate used above is the corporate tax rate of 17%, which is payable by the Group in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Fine Automation Co., Ltd. used a tax rate of 15% due to its high-tech enterprise certificate.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $2,144 thousand and $7,830 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (1,273)	$ (6,222)
Remeasurement on defined benefit plan	(51)	(84)
Total income tax recognized in other comprehensive income	$ (1,324)	$ (6,306)

c. Current tax assets and liabilities

	December 31	
	2017	**2016**
Current tax assets		
Tax refund receivable	$ 683	$ -
Current tax liabilities		
Income tax payables	$ 20,442	$ 15,193

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Exchange Differences**	**Closing Balance**
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	$ 1,496	$ -	$ 1,273	$ -	$ 2,769
Defined benefit plans	380	-	51	-	431
Unrealized gains on transaction with associates	2,508	277	-	-	2,785
Payable for annual leave	20	35	-	-	55
Allowance for impaired receivables	2,362	(984)	-	(32)	1,346
Unrealized losses on write-down of inventories	7,124	(1,182)	-	(21)	5,921
Others	30	382	-	-	412
	$ 13,920	$ (1,472)	$ 1,324	$ (53)	$ 13,719

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Temporary differences					
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 39,180	$ 5,116	$ -	$ -	$ 44,296
Foreign exchange gains	316	(244)	-	-	72
	$ 39,496	$ 4,872	$ -	$ -	$ 44,368

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Temporary differences					
Exchange difference on foreign operation	$ -	$ -	$ 1,496	$ -	$ 1,496
Defined benefit plans	296	-	84	-	380
Unrealized gains on transactions with associates	3,468	(960)	-	-	2,508
Payable for annual leave	29	(9)	-	-	20
Allowance for impaired receivables	2,056	405	-	(99)	2,362
Unrealized losses on write-down of inventories	7,055	150	-	(81)	7,124
Foreign exchange losses	1,921	(1,921)	-	-	-
Others	90	(60)	-	-	30
	$ 14,915	$ (2,395)	$ 1,580	$ (180)	$ 13,920

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Temporary differences					
Exchange differences on foreign operations	$ 4,726	$ -	$ (4,726)	$ -	$ -
Share of profit of subsidiaries, associate and joint ventures accounted for using equity method	52,889	(13,709)	-	-	39,180
Foreign exchange gains	-	316	-	-	316
Others	499	(499)	-	-	-
	$ 58,114	$ (13,892)	$ (4,726)	$ -	$ 39,496

e. Aggregate temporary differences associated with investments with unrecognized deferred tax liabilities

As of December 31, 2017 and 2016, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities were recognized amounted to $111,669 thousand and $98,772 thousand, respectively.

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	$ - (Note)	$ 401,426
Shareholder-imputed credit accounts	$ - (Note)	$ 67,810

	December 31	
	2017	2016
Creditable ratio for distribution of earnings	Note	19.82%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected.

g. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities. As of December 31, 2017 the Group has no unsettled lawsuits in relation to tax.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	2017	2016
Basic earnings per share	$ 4.84	$ 4.15
Diluted earnings per share	$ 4.83	$ 4.13

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 4, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
	2016	2016
Basic earnings per share	$ 4.35	$ 4.15
Diluted earnings per share	$ 4.34	$ 4.13

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	2017	2016
Profit for the year attributable to owners of the Company	$ 195,520	$ 167,437

Weighted average number of ordinary shares outstanding (in thousand shares)

	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	40,389	40,389
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	116	114
Weighted average number of ordinary shares used in the computation of diluted earnings per share	40,505	40,503

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Mutec Instruments GmbH	Sells transmitters, point switches and electronic terminals	October 31, 2016	100	$ 112,425

Mutec Instruments GmbH was acquired on October 31, 2016 in order to continue the expansion of the Group's activities in the European market.

b. Considerations transferred

	Mutec Instruments GmbH
Cash (Note)	$ 112,425

Note: On December 31, 2016, $3,435 thousand was unpaid.

c. Assets acquired and liabilities assumed at the date of acquisition

	Mutec Instruments GmbH
Current assets	
Cash and cash equivalents	$ 22,478
Trade and other receivables	5,431
Inventories	5,865
Others	130
Non-current assets	
Property, plant and equipment	33,169
Intangible assets	30,484
Other	144
Current liabilities	
Short-term borrowings	(3,771)
Trade and other payables	(9,971)
Current portion of long-term loans payable	(1,910)
Others	(2,888)
Non-current liabilities	
Long-term liabilities	(3,152)
	$ 76,009

d. Goodwill recognized on acquisition

	Mutec Instruments GmbH
Consideration transferred	$ 112,425
Less: Fair value of identifiable net assets acquired	(76,009)
Goodwill recognized on acquisition	$ 36,416

The goodwill recognized in the acquisition of Mutec Instruments GmbH mainly represents the control premiums included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Mutec Instruments GmbH.

The total amount of goodwill from the acquisition was not deductible for tax purposes.

e. Net cash outflow on acquisition of subsidiaries

	Mutec Instruments GmbH
Consideration paid in cash	$ 112,425
Less: Other payables	(3,435)
Less: Cash and cash equivalent balances acquired	(22,478)
	$ 86,512

f. Impact of acquisitions on the results of the Group

The results of the acquiree from the acquisition date to December 31, 2016, included in the consolidated statements of comprehensive income were as follows:

	Mutec Instruments GmbH
Revenue	$ 6,867
Profit	$ (2,320)

Had this business combination been in effect at the beginning of the annual reporting period, both the Group's pro-forma revenue from continuing operations would have been $922,905 thousand and the pro-forma profit from continuing operations would have been $177,718 thousand for the year ended December 31, 2016. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

27. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2017 and 2016, the unsettled payments for the acquisition of property, plant and equipment were $1,138 thousand and $317 thousand, respectively, which were recorded as other payables in the consolidated financial statements.

The receivables from disposal of financial assets at fair value through profit or loss on December 31, 2017 and 2016 were $1,230 thousand and $0, classified as other receivable.

28. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases where the Group is the lessee relate to leases of buildings. The Group does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

The future minimum lease payables for non-cancellable operating lease commitments were as follows:

	December 31	
	2017	2016
Up to 1 year	$ 2,955	$ 1,134
Later than 1 year and not later than 5 years	1,894	678
	$ 4,849	$ 1,812

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	$ 4,948	$ 2,897

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of new debt issued and existing debt redeemed.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

1) The significant differences between the carrying amounts and fair values of financial assets and financial liabilities were as follows:

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 11,907	$ 11,994	$ 12,904	$ 12,248

2) The fair value measurement hierarchy is as follows:

December 31, 2017

	Fair Value			
	Level 1	Level 2	Level 3	Total
Held-to-maturity financial assets	$ -	$ 11,994	$ -	$ 11,994

December 31, 2016

	Fair Value			
	Level 1	Level 2	Level 3	Total
Held-to-maturity financial assets	$ -	$ 12,248	$ -	$ 12,248

The fair values of the financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with income approaches based on a discounted cash flow analysis, with the most significant unobservable inputs being the discount rate that reflects the credit risk of counterparties.

b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	$ 56	$ -	$ -	$ 56

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	$ 1,289	$ -	$ -	$ 1,289

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 56	$ 1,289
Held-to-maturity investments	11,907	12,904
Loans and receivables (1)	740,981	662,147
Financial liabilities		
Amortized cost (2)	113,553	114,051

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade and other receivables (except for tax refund receivable), other financial assets-current and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade and other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors and supervisors, taxes payable and payable for annual leaves), long-term loans (including those due in one year) and refundable deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's financial department reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other prices (see (c) below).

There had been no changes to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 18% and 20% of the Group's sales were denominated in currencies other than the functional currency of the group entity making the sale for the years ended December 31, 2017 and 2016, respectively, whilst almost 5% and 3% of the costs were denominated in the group entity's functional currency, respectively.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the movement of foreign exchange rates in USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the New Taiwan dollar weakens 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Profit or loss	$ 5,439	$ 7,016	$ 2,856	$ 6,063

The profit (loss) above was mainly attributable to the exposure outstanding on USD and RMB bank deposits, receivables and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD decreased during the current period mainly because of an decrease in USD bank deposits. The Group's sensitivity to RMB decreased during the current period mainly because of a decrease in RMB bank deposits.

b) Interest rate risk

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 352,043	$ 256,461
Cash flow interest rate risk		
Financial assets	192,250	228,083
Financial liabilities	22,050	28,385

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been a 1% basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would increase/decrease by $1,702 thousand and $1,997 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The Group's sensitivity to equity price before tax decreased during the current year mainly due to the decrease in financial assets at fair value through profit or loss. If equity prices rise/fall 1% and all other variables were held constant, then the Group's net profit before tax would increase/decrease by $1 thousand and $13 thousand for the years ended December 31, 2017 and 2016, respectively. The reasons which would cause equity price exposure for the Group would be its listed security investments.

The Group's sensitivity to other price risk decreased during the current year mainly due to the decrease in FVTPL.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, in order to mitigate the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Ongoing credit evaluation is performed on the financial condition of trade receivables and in order to minimize credit risk, the Group has set payment terms for receipts in advance when necessary.

The Group had transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Variable interest rate liabilities	$ 18,877	$ -	$ -	$ -	$ -
Fixed interest rate liabilities	3,173	-	-	-	-
Non-interest bearing	20,313	70,397	-	793	-
	$ 42,363	$ 70,397	$ -	$ 793	$ -

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Variable interest rate liabilities	$ 23,695	$ -	$ -	$ -	$ -
Fixed interest rate liabilities	4,690	-	-	-	-
Non-interest bearing	54,196	9,091	21,375	1,004	-
	$ 82,581	$ 9,091	$ 21,375	$ 1,004	$ -

b) Loan commitments

	December 31	
	2017	2016
Unsecured bank credit		
Amount used	$ 18,877	$ 23,695
Amount unused	185,000	130,000
	$ 203,877	$ 153,695
Secured bank credit which may be extended by mutual agreement:		
Amount used	$ 3,173	$ 4,690
Amount unused	7,498	3,412
	$ 10,671	$ 8,102

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party category/name

Related Party Category/Name	Relationship with the Group
Yilan Wu Sha Culture Foundation	Substantive related party (the Chairman of the entity is the key management member of the Company)

b. Others

On the December 31, 2017 and 2016, the donations to Yilan Wu Sha Culture Foundation were $1,500 thousand and $5,000 thousand.

c. Compensation of key management personnel

In 2017 and 2016, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 17,118	$ 16,720
Post-employment benefits	403	405
	$ 17,521	$ 17,125

The remunerations of directors and key executives were determined by the remuneration committee based on the basis of individual performance and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2017	2016
Freehold land and buildings (classified as property, plant and equipment)	$ 21,999	$ 21,628
Pledged bank deposits (classified as other financial assets - current)	4,951	117
	$ 26,950	$ 21,745

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,511	29.760 (USD:NTD)	$ 104,497
USD	153	1.336 (USD:SGD)	$ 4,556
RMB	12,763	4.565 (RMB:NTD)	$ 58,130
Financial liabilities			
Monetary items			
USD	9	29.760 (USD:NTD)	$ 275
RMB	223	4.565 (RMB:NTD)	$ 1,020

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,244	32.259 (USD:NTD)	$ 136,856
USD	114	0.691 (USD:SGD)	$ 3,691
RMB	26,465	4.617 (RMB:NTD)	$ 122,188
Financial liabilities			
Monetary items			
USD	**7**	32.250 (USD:NTD)	$ 234
RMB	200	4.617 (RMB:NTD)	$ 921

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange losses were $14,074 thousand and $31,188 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The chief operating decision maker treats regional-direct-sale units as separate operation departments. However, in the preparation of financial statements, segments are identified according to the following:

a. Similarity of the product nature and manufacturing process
b. Similarity of pricing strategy and sales models

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2017	**2016**
Process automated sensor development	$ 960,459	$ 784,599
Others	100,197	81,149
	$ 1,060,656	$ 865,748

b. Geographical information

The Group operates in three principal geographical areas, China, Taiwan and USA.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	**2016**	**2017**	**2016**
China	$ 433,287	$ 399,028	$ 105,849	$ 116,847
Taiwan	406,002	370,394	362,883	380,028
USA	128,771	57,237	-	-
Others	92,596	39,089	99,864	98,900
	$ 1,060,656	$ 865,748	$ 568,596	$ 595,775

Non-current assets exclude non-current assets classified as held to maturity, deferred tax assets, and defined benefit assets.

c. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2017	**2016**
Customer A	$ 121,941	$ 50,279